



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

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STATE SUPERINTENDENT

FOOD DISTRIBUTION

**ADMINISTRATIVE POLICY NO. 1
SCHOOL YEAR 2014-2015**

SUBJECT: Proper Crediting of USDA Donated Foods Value

DATE: September 30, 2014

This memorandum provides policy and guidance to food service management companies (FSMC) and vended school meal companies (VSMC) regarding the proper usage and crediting of United States Department of Agriculture (USDA) Foods to school districts/agencies. This guidance also clarifies the requirement of any school district/agency to conduct annual reconciliation of these donated food values.

Properly Crediting Donated Food Value

It should be known that the FSMC or VSMC must manage and utilize donated food including USDA Value Added Foods (aka brown box), USDA Foods processed end-products, and any Department of Defense (DoD) fresh produce in the contracted school district/agency's food service program to the greatest extent possible. In regards to substituting foods, beef and pork products may not be substituted while other donated foods may be substituted if they are the same generic identity and must be equal or better quality. [7 CFR Part 250.51(d)]

Additionally, each FSMC or VSMC must credit or reimburse the school district the current full value of all USDA Foods received for use in the school district/agency's meal service. In the event of a cost-reimbursable contract, the school district/agency will have received the credit if the exact distributor invoice charge has been reflected within the billing (i.e. crediting by disclosure) to the school district/agency. With a fixed-price contract, the FSMC or VSMC must credit the district the value of all USDA Foods including DoD Produce and bonus offerings through invoice reductions, refunds, discounts, or other means pre-approved by the Michigan Department of Education (MDE). However, all crediting must be clear and conducted no less than monthly. All FSMC and VSMC must maintain records of receipt, storage, utilization, and inventory on behalf of the school district/agency as well as documentation that the crediting occurred each month. [7 CFR Part 250.54(b)]

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Donated food values of USDA Value Added Foods (aka brown box or bonus) and Department of Defense (DoD) fresh produce can be found within the district/agency's chosen consortia fair market value lists. For processed foods using the net-off-invoice (NOI) pass-through method, the donated food value can be found on either the corresponding distributor invoice or on the fair market value reports as mentioned above. The NOI discount represents the value of donated foods that are within that case of processed food. For processed items using the fee-for-service (FFS) pass-through method, where the price represents the processing fee and cost of ingredients incurred to create a finished product, the donated food values are *not* directly on the distributor invoice, but rather are found on the consortia fair market value reports. Attached is a chart to assist schools and companies in locating these values on the consortia websites.

The total annual values credited to the school district/agency must match the entitlement utilized to purchase these goods. This crediting is tracked on the school district's Planned Assistance Level (PAL) report. If for any reason, the FSMC or VSMC has not credited the full amount at the end of the school year, an invoice credit for the remaining value must be given to the school district/agency. As always, the vended meal or food service management contract will dictate who is responsible for any delivery charges related to USDA Foods and DoD.

For your information and convenience, below are links to USDA policies and regulations that cover the topic of USDA Foods as it pertains to food service or vended meal contracts.

- http://www.fns.usda.gov/sites/default/files/pmfd080rev_NSLP-SFSP-CACFP_DonatedFoodswithFSMCsJan2011.pdf
- http://www.fns.usda.gov/sites/default/files/2011_Part250.pdf

Annual Reconciliation of USDA Donated Food Values

Per 7 CFR Part 250.54, whether or not a school district or agency contracts with a FSMC or VSMC, all schools must conduct an annual reconciliation of USDA Foods purchases to verify that all of the donated food values have been received during the school year. The district or agency is encouraged to work directly with their consortium to obtain reports of their invoices and ensure that the total amount credited matches what is found on the school district's final PAL report.

School districts/agencies who are working with a FSMC or VSMC must also take the time to ensure the total value of foods purchased and value of donated foods receive align closely with the foods utilized in the food service program. If you have any further questions regarding USDA Foods, please feel free to contact the MDE Food Distribution Unit at: mde-fmfd@michigan.gov or 517-373-8642.

	Brown Box / Bonus	DoD	NOI Processed	Fee For Service Processed
SPARC <i>Contracted Distributor: SYSCO</i>	SPARC Fair Market Value Report found on the SPARC website, under SPARC USDA, see column named NOI/ FMV: www.michigansparc.com	SPARC Fair Market Value Report found on the SPARC website, under SPARC USDA, see column named NOI/ FMV: www.michigansparc.com <i>(Note: DoD values updated regularly due to changing fair market value)</i>	SPARC Fair Market Value Report found on the SPARC website, under SPARC USDA, see column named NOI/ FMV: www.michigansparc.com <i>(Note: NOI donated food value can also be found directly on the SYSCO invoice)</i>	SPARC Fair Market Value Report found on the SPARC website, under SPARC USDA, see column named NOI/ FMV: www.michigansparc.com
Great Lakes Consortium (GLC) <i>Contracted Distributor: Gordon Food Service / HPS</i>	GLC Product List found on the GLC/HPS website, under Reports or within the product search area, see FMV/Case: http://glc.hpsusdafoods.org	GLC Product List found on the GLC/HPS website, under Reports or within the product search area, see FMV/Case: http://glc.hpsusdafoods.org <i>(Note: DoD values updated regularly due to changing fair market value)</i>	GLC Product List found on the GLC/HPS website, under Reports or within the product search area, see FMV/Case: http://glc.hpsusdafoods.org <i>(Note: NOI donated food value can also be found directly on the GFS invoice and GFS Experience Ordering System)</i>	GLC Product List found on the GLC/HPS website, under Reports or within the product search area, see FMV/Case: http://glc.hpsusdafoods.org
MOR Consortium <i>Contracted Distributor: VanEerden</i>	MOR Brown Box List found on the MOR website under product lists, see column named FMV: www.morcoop.com	MOR Brown Box List found on the MOR website under product lists, see column named FMV: www.morcoop.com <i>(Note: DoD values updated regularly due to changing fair market value)</i>	MOR/VanEerden Commodity Product List found on the MOR website under product lists, see column named PTV Commodity Case Value: www.morcoop.com <i>(Note: NOI "drawdown" value can also be found directly on the VanEerden invoice and online ordering system)</i>	MOR/VanEerden Commodity Product List found on the MOR website under product lists, see column named FFS Value: www.morcoop.com